

**London Borough of Sutton**

**The Executive – 3 November 2009**

**Report of the Strategic Director - Resources**

**REVENUE BUDGET 2009/10 - REVIEW AS AT 30 SEPTEMBER 2009**

**Ward Location:** Not Applicable

**Author(s) and Contact Phone Number(s):**

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**Area Served:** Borough-Wide

**Executive Councillor:** John Drage

**Key Decision Report**

**Summary**

This report indicates the financial position at month six for the Council's Service Groups and estimates the full year effects in 2009/10 of current levels of spending and income.

**Recommendations**

I recommend The Executive to note the current spending position against the original estimates, and review issues arising and impacting on the 2009/10 budget.

**1. Background**

- 1.1 The latest overall position on the General Fund shows an underspending of £176k at 30 September 2009, and a projected overspend of £2,295k for the full year.

**2. Issues**

- 2.1 Since the August figures were reported, the projected full year overspending on the General Fund has increased by £243k to £2,295k. Further to this the on-street parking account is projected to overspend by £273k which will fall upon the General Fund increasing the projected overspend for the year to £2,568k. This amount can be covered by the remaining balance within the contingency provision of £2,595K.
- 2.2 The emerging spending trends are likely to be subject to further variation as the year progresses. This is particularly true this year with the economic conditions and the impact of the recession on demand for Council Services and on income budgets such as car parking continuing to create uncertainty and volatility within service group budgets. The reasons for the variances across services are set out below. As set out below Directors are putting in place measures to contain expenditure and these are expected to bear down on the projected overspendings as the year progresses.
- 2.3 A summary of latest estimates reflecting Service Groups' anticipated expenditure for 2009/10, compared to the original estimates, is attached as Appendix A. A summary of the major variances at month six for the General Fund is attached as Appendix B.
- 2.4 A summary of the latest position for trading services is attached as Appendix C.

Adult Social Services and Housing

- 2.5 The Strategic Director – Adult Social Services advises that the forecast underspend against budget for residential and nursing care (all client groups) has been revised upwards to £705k (previously £527k).

The growth in Direct Payments has continued for all client groups and the forecast overspend here is now £820k (up from £808k). As before, this additional expenditure has largely substituted for Home Care, reducing demand for that service.

The projected net underspend on Home Care across all client groups has been increased to £228k (previously £226k). Improved commissioning performance regarding modernised services for Adults with Learning Disabilities, formerly using Hallmead or resident at Orchard Hill, or campus homes, has led to increased efficiency gains and revision of the forecast underspend to £457k (previously £404k). There is a new pressure of £107k on Concessionary Fares in 2009/10. With additional underspends mainly on staffing and related budgets of £306k (up from £260k) this produces an overall forecast underspend of £749k on Adult Social Services. As last month this is partly offset by a forecast overspend on Housing General Fund of £35k (previously £36k).

Environment and Leisure

- 2.6 The Strategic Director – Environment and Leisure is predicting a full year overspend of £969k, a favourable movement of £5k on the position a month ago. This includes the Economic Renewal team which are now a part of E&L but excludes Parking which will be reported as part of E&L from next month.

The economic downturn continues to put pressure on income which is now expected to under-achieve budget by £765k with Planning (£168k), Licensing (£134k), Leisure (£53k) Corporate Asset Management (£91k) and Construction & Property (£167k) all hard hit. As the economic outlook remains uncertain these figures are likely to be subject to further change as the year progresses. The cessation of the Waste Performance Efficiency grant is the other significant element of the income shortfall, accounting for £205k of the shortfall.

The Government announced in May that a consultation on the allocation of the Housing and Planning Delivery Grant (HPDG) would be carried out and that the total allocation was to reduce from £160 million to £135 million in order to fund changes to local authority rent increases. The current forecast assumes that we will receive an allocation of £400k, based on the amount that we received in 2008/09. However, the Strategic Director advises that due to the uncertainty surrounding the grant the recalculation of the grant could lead to a lower allocation than that assumed.

Losses are being mitigated across the services as far as possible through careful management of employee costs through use of agency staff where this is cheaper than employment of permanent employees and the retention of vacancies. These measures are expected to save around £350k by year end and are included in the forecast outturn. So far this year the volume of waste being sent to landfill is lower than the amount provided for in the budget. If this trend were to continue then spending on gate fees and landfill tax could be £100k lower.

Children, Young People and Learning Service

- 2.7 A review has been undertaken of the budgets for Children, Young People & Learning Services since the last high level monitoring statement and a full-year variance is now estimated to be some £1,780k. This comprises 2 main elements.

The first is a variance on Children & Families Services of £1,471k. This is mainly the result of an increase in the Looked After Children's placement budget of £647k due to new placements and placement support costs of £45k offset by reduced special guardianship and adoption allowances of £20k. There is also a variance of £301k on salaries largely due to the vacancy factor not being met. This is because of increased demand on services, the need to ensure our statutory social child care case work is allocated and safeguarding responsibilities are maintained. A staffing freeze has now been implemented within Children and Families unless clear safeguarding issues are identified. There is also a variance of £158k due to a court-ordered residential assessment of one child and family. This follows a change in judicial funding which has led to the costs being fully funded by the local authority (previously 25%) and is the cost from May to September. There are also additional costs in the Children with Disabilities Service of £135k mainly associated with Direct Payments. These payments have been increasing over the past few years and the level of care packages funded is being reviewed. There are also increased legal costs of £30k in this service. In addition there is a predicted overspend on the Looked after Children Supervised Contact Service of £85k. This is a statutory service and is a vital element in maintaining attachments with the birth family which encourages rehabilitation and also provides daily contact for very young children as an alternative to more costly residential options. There is also a cost pressure on the Leaving Care Service due to lodging allowances and support costs of £90k.

The second is a variance of £309k on Education Services. This is principally the result of increased SEN transport costs of £201k due to the full year effects of previous year increases and the estimated cost of new cases. This figure will need to be reviewed when the September routes have been finalised. There is also additional transport costs for Travellers Vulnerable children of £41k. An overspend on Service Management salaries is due to an under achievement of the vacancy factor and consultants costs of £72k, slightly offset by increased income on schools IT services of £22k. There is also a variation of £67k for other centrally charged costs. An estimated underspend on Educational Psychologists salaries has provided a saving of £50k. A staffing freeze has also been implemented within Education Services but with certain essential posts being referred to GMT for approval.

Not included in the overall variance is expenditure on SEN costs of £882k for independent schools and other related expenditure of £507k. There is also an adjustment to the DSG funding for 2009/10 of £206k. These costs will all have to be contained within the 2009/10 DSG budget or carried forward to be charged against the DSG in 2010/11 or future years. This issue will need to be considered by the Schools Forum.

Resources

- 2.8 The Strategic Director – Resources advises that the projected full year overspending is currently estimated at £57k. Parking is currently still being shown in the Resources budget in 2009/10 although the service has transferred to Environment and Leisure. There is a projected overspend on the car parks budget

for the year of £73k mainly due to unachieved income. The Revenues and Benefits section within Business Services are projected to overspend by £34k due to a shortfall in Council Tax / NNDR court cost income. These projected overspends are partially offset by £100k underspend due to vacancies in Financial Services.

The ring fenced on-street parking places account is projected to make a deficit of £273k this financial year. This is a result of a projected £402k shortfall in income, offset by a saving of £92k from the new parking enforcement contract and other underspends of £37k.

#### Chief Executive's Group

- 2.9 The Chief Executive advises that he is projecting a year end overspending of £189k. This is mainly due to an anticipated shortfall from disposals fee income of £143k in Legal Services.

#### Special Provisions and Credits

- 2.10 There are no major variations to report at this stage.

#### Housing Revenue Account

- 2.11 Following dwelling rents being capped at 3.1% dwelling rents are projected to underachieve by £454k, however this is largely offset by a reduction in the advance to CLG of £400k due to the rent increase cap. The working balance at 31 March 2010 is projected to be £44k lower than included in the original estimates at £716k.

#### Contingency

- 2.12 Included in original estimate 2009/10 is a sum of £2,700k to cover unforeseen costs between now and the end of the financial year. No allocations were made from the contingency during month six, however an allocation of £8k for a one-off grant to Open Door was approved after month 6 allocations were issued. An adjustment will be actioned for the month 7 allocations. This will reduce the unallocated balance to £2,595k.

### **3. Financial Implications**

Considered above.

### **4. Influence of the Council's Core Values**

None.

### **5. Equality Impact Assessment**

None.

### **6. Background Papers**

Revenue Estimates 2009/10.  
Month 6 High Level Summary Reports.

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